



DAVID L. SOKOL
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

November 30, 2007

The Honorable Sarah Palin
AGIA License Office
State of Alaska, Department of Revenue
550 West 7th Avenue, Suite 1820
Anchorage, AK 99501

RE: Alaska Gas line Inducement Act (AGIA)

Dear Governor Palin:

In the approximately five months since the passage of the Alaska Gas Line Inducement Act (AGIA) a great deal has transpired which, when added to the prior complexities of developing a \$25-30 billion gas processing and pipeline system, warrant consideration of a new way forward for such a project.

On one hand your leadership and that of your administration has been outstanding and your integrity and transparent style are a breath of fresh air in what has proven to be a rather shady and smoke filled past in regard to energy issues in Alaska.

On the other hand the deepening and ongoing investigations into political and corporate corruption in Alaska make a thorough and thoughtful proposal in compliance with AGIA an unrealistic exercise for our organization. For a project of this magnitude to proceed, integrity must be the foundation upon which all project elements are based. As you are painfully aware the ongoing corruption investigations coupled with previous indictments, guilty pleas and convictions draw into question virtually every major Alaskan project participant and governmental levels from State to Federal. Obviously your administration had no involvement in these previous shenanigans nor did we; however, you and we alone cannot develop the pipeline project through AGIA's expected process.

Given the extensive nature of the ongoing criminal investigations, recent related performance issues in Alaska and elsewhere by one of your major producers, ongoing litigation regarding natural gas leases with the producers and the current and projected complications in the heavy industrial construction industry we would respectfully suggest

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that an alternative way forward be considered. Given the current circumstances it would appear that the State of Alaska and the United States Government, teamed with a proven and nonconflicted project development partner, will be required to successfully move this project forward.

The Alaska Gas Pipeline project continues to be very important to the State of Alaska and to the lower forty eight energy consumers. The project economics remain compelling and when one combines these current economic realities with the likely upward pressure that global climate change legislation will place on natural gas, our nation cannot afford to see this national resource kept unavailable.

Please feel free to contact us if we can clarify any of our thoughts or further explain our recommendations.

Sincerely,



David L. Sokol